Financial Statements of

CANADA WEST FOUNDATION

Year ended December 31, 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of Canada West Foundation which comprise statement of financial position as at December 31, 2011, the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Canada West Foundation as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Chartered Accountants

June 1, 2012
Calgary, Canada

CANADA WEST FOUNDATION

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 790,427	$ 1,044,356
Accounts receivable	171,965	122,325
Inventory	10,321	–
	972,713	1,166,681
Investments (note 4)	7,866,403	8,139,500
Furniture and equipment (note 5)	45,143	32,491
	$ 8,884,259	$ 9,338,672
Liabilities and Net Assets		
Current liabilities:		
Operating loan (note 6)	$ 115,000	$ –
Accounts payable and accrued liabilities	159,628	162,537
Deferred contributions (note 7)	1,103,238	1,190,738
	1,377,866	1,353,275
Net assets:		
Restricted for endowment purposes (note 8)	6,111,134	6,111,134
Internally restricted	959,546	784,211
Unrestricted	3,026	210,691
Unrealized gains (losses) on available for sale investments	432,687	879,361
	7,506,393	7,985,397
Commitments (note 9)		
	$ 8,884,259	$ 9,338,672

See accompanying notes to financial statements.

Approved by the Board:

Director

Director

CANADA WEST FOUNDATION

Statement of Revenues and Expenses

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Special projects and donations	$ 1,900,674	$ 1,781,950
Investment and other income	295,503	234,583
Members and subscribers	180,250	156,150
Realized gain on sale of investments	322,645	92,610
Publication sales	8,067	1,700
	2,707,139	2,266,993
Expenses:		
Research programs and special projects	2,272,846	1,944,058
General and administrative	452,808	548,804
Depreciation	13,815	10,261
	2,739,469	2,503,123
Deficiency of revenue over expenses	$ (32,330)	$ (236,130)

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

	Restricted for endowment purposes	Internally restricted	Unrestricted	Unrealized gains (losses) on available for sale investments	Total 2011	Total 2010
Balance, beginning of year	$ 6,111,134	$ 784,211	$ 210,691	$ 879,361	$7,985,397	$7,616,060
Deficiency of revenue over expenses	–	–	(32,330)	–	(32,330)	(236,130)
Change in unrealized gain (loss) on available for sale investments	–	–	–	(446,674)	(446,674)	605,467
Internally imposed restriction (note 8)	–	175,335	(175,335)	–	–	–
Balance, end of year	$ 6,111,134	$ 959,546	$ 3,026	$ 432,687	$ 7,506,393	$7,985,397

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (32,330)	$ (236,130)
Items not involving cash:		
Deferred contributions recognized as revenue	(1,536,933)	(1,116,250)
Depreciation	13,815	10,261
Gain on sale of investments	(322,645)	(92,610)
	(1,878,093)	(1,434,729)
Changes in non-cash operating working capital accounts:		
Accounts receivable	(49,640)	31,853
Inventory	(10,321)	–
Accounts payable and accrued liabilities	(2,909)	103,932
	(1,940,963)	(1,298,944)
Investing activities:		
Deferred contributions received	1,449,433	2,191,988
Financing activities:		
Increase in operating loan	115,000	–
Decrease in investments, net	149,068	59,153
Purchase of furniture and equipment	(26,467)	(11,527)
	237,601	47,626
(Decrease) increase in cash and cash equivalents	(253,929)	940,670
Cash and cash equivalents, beginning of year	1,044,356	103,686
Cash and cash equivalents, end of year	$ 790,427	$ 1,044,356
Supplementary information:		
Interest received	$ 162,625	$ 127,723
Dividends received	73,182	61,022

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2011, with comparative figures for 2010

The Canada West Foundation (the "Foundation") was formed to engage in research and education in the area of economic, social and public policy.

The Foundation is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly is not taxable on the revenues it receives and earns from operations.

1. Significant accounting policies:

(a) Cash and cash equivalents:

The Foundation considers all highly liquid investments that are readily convertible to cash or with an original maturity of three months or less to be cash and cash equivalents. These consist of cash and term deposits.

(b) Furniture and equipment:

The computer equipment, phone system and furniture are recorded at cost. Depreciation is provided on a declining balance basis at an annual rate of 30%. Leasehold improvements are amortized over the term of the lease.

(c) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Deferred contributions are revenues received in the current year that are used for projects in the upcoming years.

Special projects, corporate donations and membership revenues are recognized when payments are made or committed. Donations received in kind are recorded at fair market value, determined at the date the donation is made. Endowment contributions are recognized as a direct increase in net assets.

Contributions received are recognized as revenue on special projects when expenditures are incurred.

(d) Investments:

Using the available for sale classification, investments are recorded at fair value at each balance sheet date as established by the closing bid price for trading on the recognized exchange on which the investment is listed or principally traded. Realized interest and dividend income are recognized as they are earned or declared and realized net capital gains or losses are recognized in the statement of revenue and expenses. Unrealized gains or losses are recognized in net assets and are transferred to earnings when the investment is derecognized.

1. Significant accounting policies (continued):

(e) Use of estimates and assumptions:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Areas requiring management estimates relate to the fair value of investments, the collectability of accounts receivable and the useful life of furniture and equipment. Actual results may differ from these estimates.

(f) Financial instruments:

All financial instruments are initially recognized at fair value on the balance sheet date. The Foundation has classified each financial instrument into the following categories; held for trading financial assets and liabilities, loans or receivables, held to maturity assets, available for sale financial assets and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Gains and losses on available for sale financial assets are recognized in net assets and transferred to earnings when the asset is derecognized. The other categories of financial instruments are recognized at amortized costs using the effective interest rate method.

The Foundation has classified cash and cash equivalents as held for trading, accounts receivable as loans and receivables, investments as available for sale, and accounts payable and accrued liabilities as other liabilities.

2. Future change in accounting policies:

In December 2010, the Accounting Standards Board ("AcSB") released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. The AcSB proposed that not-for-profit organizations select one of the two following alternatives for financial reporting:

(i) Accounting Standards for Not-for-Profit Organizations along with Accounting Standards for Private Enterprises, or

(ii) International Financial Reporting Standards

These available standards are applicable to fiscal years beginning on or after January 1, 2012. The Foundation has determined that it will adopt Accounting Standards for Not-for-Profit Organizations along with Accounting Standards for Private Enterprises for the fiscal year beginning January 1, 2012. Management is in the process of evaluating the impact of the adoption of these standards on the future financial statements.

3. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

Financial instruments include cash, term deposits, accounts receivable, and accounts payable and accrued liabilities and approximate their carrying value due to of the short term nature of these instruments. Investments are recorded at fair value.

(b) The Foundation has exposure to the following risks from its use of financial instruments:

(i) Credit risk:

The Foundation's maximum exposure to credit risk is on cash, term deposits, accounts receivable and the investment in the endowment fund noted above.

Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Cash consists of cash bank balances; the term deposit represents a short-term investment with a Canadian commercial bank. Credit risk for accounts receivable and the fund investment is the risk that the obligation will fail to be discharged causing the Foundation to incur a financial loss. Credit risk is minimized by ensuring that term deposits are limited to amounts covered by insurance limits, that credit is only extended to those entities that management believes has the financial capacity to pay obligations due to the Foundation, and the fund investment are diversified across different classes of assets and are such investments are managed by professional managers.

Management and the Board of Directors of the Foundation periodically review its investments to ensure that the credit risk assumed is appropriate.

(ii) Liquidity risk:

Liquidity is the risk that the Foundation will encounter difficulty in raising donations or liquidity investments to meet commitments or protect its assets. Management controls liquidity risk through cash flow projections used to forecast funding requirements for its financial instruments.

(iii) Market risk:

Current and future investments in the endowment fund are subject to market risk due to changes in the value of investments in the fund. Fluctuations in general market interest rates have an impact on investments returns in the term deposits and fixed income investments in the endowment fund.

(iv) Interest rate risk:

The Foundation is exposed to interest rate risk relating to the income earned on its interest bearing investments as most of these investments have a fixed interest rate for a specified period of time. A 1% reduction in interest rates would reduce the interest income earned by $38,778.

4. Investments:

	2011		2010	
	Cost	Market value	Cost	Market value
Equities	$ 4,485,108	$ 4,715,740	$ 4,183,652	$ 4,915,067
Government and corporate bonds	2,885,833	3,087,888	3,062,725	3,210,671
Cash	62,775	62,775	13,762	13,762
	$ 7,433,716	$ 7,866,403	$ 7,260,139	$ 8,139,500

5. Furniture and equipment:

			2011	2010
	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment	$ 190,244	$ 169,075	$ 21,169	$ 23,400
Phone system	18,407	17,319	1,088	963
Furniture	63,679	57,496	6,183	8,128
Leasehold improvements	20,879	4,176	16,703	–
	$ 293,209	$ 248,066	$ 45,143	$ 32,491

6. Operating loan:

The Foundation has access to a $200,000 revolving operating facility, which is due on demand and bears interest at the bank's prime rate plus 2.35% (2010 - 1.3%). The facility is secured by a general security agreement and business loan insurance in the amount of $200,000. As at December 31, 2011 $115,000 has been drawn on this facility (2010 - $nil).

7. Deferred contributions:

	2011	2010
Balance, beginning of year	$ 1,190,738	$ 115,000
Contributions received	1,449,433	2,191,988
Recognized as revenue	(1,536,933)	(1,116,250)
	$ 1,103,238	$ 1,190,738

8. Net asset balances:

The distribution of original endowment capital is not permitted. During the year, the Foundation did not receive any endowment contributions (2010 - $nil)

The Foundation is allowed to use 5% of the total market value of the previous year end's endowment for operating purposes, provided the market value of the endowment is not below the donated capital. The Board approved an additional $175,335 (2010 - $47,836) to be transferred from the Internally Restricted account to Unrestricted account in an effort to support the additional expenditures in 2011. The restricted principal balance of the endowment fund was $6,111,134 in 2011 (2010 - $6,111,134).

9. Commitments:

The Foundation has entered into certain operating lease commitments for office space and equipment with future payments as follows:

2012	128,780
2013	113,475
2014	104,800
2015	104,172
2016 and Thereafter	65,108

10. Capital management:

The Foundation's objectives, policies and processes for managing capital include the preservation of capital and earning a reasonable return in a prudent and responsible manner. All donations are deposited in the general account and excess funds are invested in term deposits. The Foundation does not have any externally imposed capital requirements except for the distribution of the original endowment capital is not permitted, as previously disclosed in note 8. The endowment capital is managed by a third party in accordance with the investment policy approved by the board.

CANADA WEST FOUNDATION

Additional Information to Comply with the Disclosure Requirement of the Alberta Charitable Fund-raising Act and Regulation — Schedule

Year ended December 31, 2011

Tax receipted revenues received from corporations, individuals and foundations during 2011 were $211,325 and were disbursed as follows:

Communications	$ 35,800
Office expenses/overhead	133,525
Internship program	42,000
Tax receipted revenues received	211,325
Government and non-tax receipted revenues	1,869,599
Total	$ 2,080,924
Special projects and donations	$ 1,900,674
Members and subscribers	180,250
	$ 2,080,924

Expenses incurred for the purposes of soliciting contributions were $86,843.

Remuneration paid to employees, whose principal duties involved fund-raising, was $192,058.